Council of the EU

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# Council Conclusions on the Commission Action Plan on building a Capital Markets Union

The Council:

1. RECALLS its Conclusions of 19 June 2015 on a Capital Markets Union[1] encouraging the Commission to elaborate a comprehensive, targeted and ambitious action plan for building a Capital Markets Union (CMU) as a lever for more jobs, growth and investment;

2. WELCOMES the adoption by the Commission of the Action Plan on Building a Capital Markets Union[2] with a step-by-step approach based on a thorough analysis and the Commission's presentation of a first package of more concrete proposals and initiatives[3]; and STRESSES the importance of preserving momentum also in the long-term with a concrete and ambitious agenda for further on-going action;

3. RECALLS that the CMU is an important pillar of the Commission Investment Plan to promote jobs and growth in Europe by continuing the three pronged approach (growth-friendly fiscal consolidation, structural reforms, investment) as well as by removing unjustified barriers to cross-border investment and diversifying the sources of funding, thus supporting notably the financing of infrastructure and SMEs;

4. UNDERLINES the relevance of the CMU as a project of shared importance for EU-28, and as a priority for completing the Economic and Monetary Union[4], WELCOMES the opportunity that it presents for all Member States, including those with less developed capital markets to tap into deeper European financial markets and STRESSES the principles of subsidiarity, proportionality as well as preservation of financial stability and investor protection to be respected in all related initiatives;

5. RECALLS that well-functioning cross-border capital markets benefit the smooth transmission of monetary policy and facilitate more private risk-sharing, thus contributing to making the EU-28, including the euro area, more resilient to shocks;

6. SUPPORTS accordingly the following priority areas, including those identified by the Commission:

increasing the variety of financing sources available for all businesses, in particular SMEs and small mid caps, from smaller or larger financial markets, including high-growth potential and innovative SMEs, and building on successful solutions for connecting them to a wider basis of prospective investors. This should be achieved by using a balanced approach based amongst others on market-led initiatives and self-regulation of the market where appropriate and possible, as well as legislative initiatives where unjustified barriers warrant an intervention from the legislator; and, especially by advancing the work streams in areas such as: the Prospectus Directive, Venture Capital, Crowdfunding, Private Placements, Mini Bonds, SME growth markets and SME credit information;

ensuring an appropriate regulatory environment for long-term, sustainable investment and financing of Europe's infrastructure, including steps to attract private capital in order to realise the targets of the Investment Plan for Europe, and to assess and support financial market developments that contribute to environmental sustainability;

increasing investment and choices for retail and institutional investors within a framework of adequate investor protection, beginning with the publication of a Green Paper focused on retail financial services and insurance in the last quarter of 2015, as well as through exploratory work on the potential merits of a European framework for long-term individual savings schemes such as third pillar personal pensions;

enhancing the capacity of banks to lend, in particular to SMEs, notably through establishing an appropriate framework to revive simple, transparent and standardised securitisation, exploratory work on the potential merits of a European framework for covered bonds, building on national regimes that work well, by addressing the issue of Non-Performing Loans, and by ensuring a proportionate treatment for credit institutions, notably smaller ones, consistent with the single market;

assessing the coherence, consistency and the cumulative impact of the financial reforms on the financing of the real economy; and,

examining and dismantling unjustified cross-border barriers to the development of capital markets for all 28 Member States, including where appropriate in the area of clearing and settlement and other market infrastructures, and also finding (through appropriate tax working groups) pragmatic solutions to long-standing tax obstacles such as double taxation linked to current

withholding tax arrangements, while duly considering the implications on financial stability and national legal regimes;

7. CALLS for a swift adoption of the Regulation of the European Parliament and of the Council laying down common rules on securitisation and creating a framework for simple, transparent, and standardised securitisation and amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 and of the Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, with the aim of reviving securitisation markets, thereby increasing the capacity of banks to lend and allowing for channelling funds efficiently from non-banks to the real economy and preserving financial stability, whilst decreasing overreliance on external ratings; and, maintaining an adequate risk sensitivity;

8. LOOKS FORWARD to the Commission's proposal to revise the Prospectus Directive to make it easier and cheaper for firms to raise funding on public markets by eliminating overly burdensome requirements while improving investor protection, especially through the focus on relevant, comprehensible information;

9. STRESSES the importance of preserving financial stability objectives of financial legislation, consumer and investor protection and the single market, including through the single rulebook, while taking good note of the Commission's intention to review this body of law to ensure coherence, internal consistency and proportionality, accordingly LOOKS FORWARD to the outcome of the Commission's Call for evidence on the EU regulatory framework for financial services; and, SUPPORTS the maintenance of a stable regulatory environment in the EU.

10. INVITES the Commission, in the context of the relevant sectoral reviews, to assess the impact of third-country regimes, including equivalence and mutual recognition, in current regulations on the structure of European capital markets, the competitiveness of the European financial industry as well as effective access to third-country markets;

11. ENCOURAGES the Commission to consult, without delay, the Member States with a view to identifying business insolvency law-related barriers to the development of a single market for capital, as referred to in the Action Plan; WELCOMES the Commission's intention to submit, on the basis of those consultations and having due regard to the complexity of the involved subject matters and the resulting need for taking a balanced approach, a proposal aiming to ensure, in full respect of the principles of subsidiarity and proportionality, that the main business insolvency-related obstacles identified are tackled, drawing on best practices and well-performing national frameworks; specifically, NOTES the possible need to establish, where necessary, a reasonable timeframe for completing insolvency proceedings and increasing transparency on the possible outcomes of insolvency procedures across the EU and improving access to early restructuring possibilities subject to further analysis;

12. INVITES the Commission to present the outcome and possible follow-up of its study on the cross-border issues in the area of directors' liability and disqualifications as soon as possible;

13. NOTES THAT analysis by the Commission of possible barriers in other relevant areas, such as for instance securities law, may be needed before taking actions in these areas to further facilitate cross-border investing;

14. EMPHASIZES the Commission's conclusion that the next steps towards Capital Markets Union can be taken based on the existing mandates of the European Supervisory Authorities (ESAs); RECOGNISES the need for the ESAs to work on strengthening supervisory convergence, where appropriate through peer-review procedures and, if necessary, enhanced coordination, identifying where a more collective approach can improve the functioning of the single market for capital, including involving initiatives by national competent authorities; and STRESSES the need for all national authorities to implement EU financial rules fully and consistently in order to ensure the highest levels of conduct and integrity across the EU capital market;

15. NOTES the importance of the Commission's plan to further analyse, in a White Paper, by mid-2016, the governance and financing of the ESAs, with due account of their European role;

16. ACKNOWLEDGES the need to review the EU framework for preserving financial stability to cater for potential risks beyond the banking sector;

17. REAFFIRMS the commitment of Member States to the long-term vision of a genuine Capital Markets Union, the objective of a higher level of financial integration and stronger capital market financing together with enhanced bank financing, thus leading to a more balanced financing structure between equity and debt of EU businesses and further cross-border private risk-sharing, and to the effective implementation of agreed CMU actions at national level; and, in this spirit, LOOKS FORWARD TO working with the Commission to develop a roadmap to identify existing barriers to the free movement of capital and ways to remove the most damaging and unjustified ones; and to discuss the proposal of the Commission to address the debt-equity bias in taxation within the appropriate fora; and INVITES the Commission to continue the public debate on the ability of the EU financial industry to contribute to a successful CMU;

18. ENCOURAGES the Commission and Member States to focus on addressing the issue of the financial literacy of future investors and other market agents, which is important for the overall and balanced success of the CMU project;

19. WELCOMES the Commission's intention to develop a strategy for providing technical assistance to Member States where needed to reinforce specific capacities of national capital markets;

20. INVITES the Commission to report, at least every six months to the Council through the Financial Services Committee and the Economic Financial Committee, providing an evidence-based assessment of the progress made in the build-up of the Capital Markets Union including on the basis of key indicators and evidence.

[1] Doc. 10148/15

[2] Doc. 12263/15

[3] Commission Proposal for a Regulation of the European Parliament and of the Council laying down common rules on securitisation and creating a framework for simple, transparent, and standardised securitisation and amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012; Commission Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms; Consultation Document on covered bonds, Consultation on venture capital and social entrepreneurship funds, Call for evidence on EU regulatory framework for financial services.

[4] Completing Europe's Economic and Monetary Union: Report by the 5 Presidents.

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